

EXHIBIT 1

INTRODUCTION

Respondents are Kermit Marsh and his controlled committees Kermit Marsh for Council, Friends of Kermit Marsh, Kermit Marsh for Republican Central Committee, Kermit Marsh for Supervisor, and Kermit Marsh for Judge. At all times relevant to this matter, Respondent Marsh was the treasurer of each of these committees. Respondent Marsh is currently a member of the Executive Committee for the Orange County Republican Central Committee.

This case resulted from referrals from the City Clerk of the City of Westminster and the Orange County Registrar of Voters, as well as from independent complaints. Each of these referrals and complaints alleged that Respondents failed to file campaign statements as required under the Act.

Under the Political Reform Act (the "Act")¹, Respondents were required to file specific pre-election and semi-annual campaign statements. Respondents continually failed to comply with these requirements, despite receiving a warning letter from the Enforcement Division and numerous notifications from filing officials over a period of six years.

For purposes of this Stipulation, the proposed violations of the Act are as follows:

Respondents Kermit Marsh and Kermit Marsh for Council

COUNT 1: Respondents Kermit Marsh and Kermit Marsh for Council failed to timely file a semi-annual campaign statement for the reporting period January 1 through June 30, 2006, by the July 31, 2006, due date, in violation of Government Code Section 84200, subdivision (a).

COUNT 2: Respondents Kermit Marsh and Kermit Marsh for Council failed to timely file a semi-annual campaign statement for the reporting period January 1 through June 30, 2007, by the July 31, 2007, due date, in violation of Government Code Section 84200, subdivision (a).

Respondents Kermit Marsh and Friends of Kermit Marsh

COUNT 3: Respondents Kermit Marsh and Friends of Kermit Marsh failed to timely file a semi-annual campaign statement for the reporting period July 1 through December 31, 2004, by the

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

January 31, 2005, due date, in violation of Government Code Section 84200, subdivision (a).

COUNT 4: Respondents Kermit Marsh and Friends of Kermit Marsh failed to timely file a semi-annual campaign statement for the reporting period July 1 through December 31, 2006, by the January 31, 2007, due date, in violation of Government Code Section 84200, subdivision (a).

Respondents Kermit Marsh and Kermit Marsh for Republican Central Committee

COUNT 5: Respondents Kermit Marsh and Kermit Marsh for Republican Central Committee failed to file a pre-election campaign statement for the reporting period March 18 through May 20, 2006, by the May 25, 2006, due date, in violation of Government Code Sections 84200.5, subdivision (b), and 84200.7, subdivision (a)(2).

COUNT 6: Respondents Kermit Marsh and Kermit Marsh for Republican Central Committee failed to file a semi-annual campaign statement for the reporting period May 21 through June 30, 2006, by the July 31, 2006, due date, in violation of Government Code Section 84200, subdivision (a).

Respondents Kermit Marsh and Kermit Marsh for Supervisor

COUNT 7: Respondents Kermit Marsh and Kermit Marsh for Supervisor failed to timely file a semi-annual campaign statement for the reporting period February 17 through June 30, 2007, by the July 31, 2007, due date, in violation of Government Code Section 84200, subdivision (a).

Respondents Kermit Marsh and Kermit Marsh for Judge

COUNT 8: Respondents Kermit Marsh and Kermit Marsh for Judge failed to timely file a pre-election campaign statement for the reporting period January 1, 2008 through March 17, 2008, by the March 24, 2008, due date, in violation of Government Code Sections 84200.5, subdivision (b), and 84200.7, subdivision (a)(1).

COUNT 9: Respondents Kermit Marsh and Kermit Marsh for Judge failed to timely file a pre-election campaign statement for the reporting period March 18, 2008 through May 17, 2008, by the May 22, 2008, due date, in violation of Government Code Sections 84200.5, subdivision (b), and 84200.7, subdivision (a)(2).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

Duty to File Semi-Annual Campaign Statements

Section 84200, subdivision (a) requires all candidates and committees pursuant to Section 82013, subdivision (a), to file semi-annual campaign statements each year no later than July 31 for the period ending June 30, and no later than January 31 for the period ending December 31. All filing obligations continue until the recipient committee is terminated by filing a statement of termination with the Secretary of State and a copy with the local filing officer receiving the committee's original campaign statements. (Section 84214; Regulation 18404.)

Duty to File Pre-Election Campaign Statements

During an even-numbered year, candidates for county office and their controlled committees who are being voted upon on the first Tuesday after the first Monday in June are required to file a pre-election campaign statement as specified in Section 84200.7. (Section 84200.5, subd. (b).)

Section 84200.7, subdivision (a) provides for the filing of two pre-election campaign statements covering two reporting periods prior to elections held in June of an even-numbered year. The reporting period for the first pre-election campaign statement ends March 17. This first pre-election campaign statement must be filed no later than March 22. (Section 84200.7, subd. (a)(1).) The reporting period for the second pre-election campaign statement runs from March 18 through 17 days before the election. This second pre-election campaign statement must be filed no later than 12 days before the election. (Section 84200.7, subd. (a)(2).)

Treasurer and Candidate Liability

Under Sections 81004, subdivision (b), 84100, and 84213, and Regulation 18427, subdivisions (a), (b) and (c), it is the duty of a committee's treasurer and candidate to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer and candidate may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee under Sections 83116.5 and 91006.

SUMMARY OF THE FACTS

Respondents are Kermit Marsh and his controlled committees Kermit Marsh for Council, Friends of Kermit Marsh, Kermit Marsh for Republican Central Committee, Marsh for Supervisor, and Kermit Marsh for Judge. At all times relevant to this matter, Respondent Marsh

was the treasurer of each of these committees. Respondent Marsh is currently a member of the Executive Committee for the Orange County Republican Central Committee.

Respondent Marsh was first elected to the City Council of the City of Westminster in 1998, was re-elected in 2000 and in 2004, and he remained in office until December 2008. Respondent Marsh also ran two unsuccessful campaigns for the Orange County Board of Supervisors, losing in both the March 2, 2004 primary election and the February 6, 2007 special election. On June 6, 2006, Respondent Marsh was elected to the Republican Central Committee for Orange County, and he was re-elected on June 3, 2008. Finally, Respondent Marsh was a qualifying candidate in the June 3, 2008 primary election, and was an unsuccessful candidate in the November 4, 2008 general election for Superior Court Judge in Orange County.

This matter arose out of the following: (a) three referrals from the City Clerk of the City of Westminster; (b) a referral from the Clerk of the Orange County Board of Supervisors; (c) four non-sworn complaints and two sworn complaints; and (d) a referral from the Orange County Registrar of Voters. Each of these referrals and complaints alleged that Respondents failed to file campaign statements as required under the Act. Since December 2004, the City Clerk of the City of Westminster and the Orange County Registrar of Voters sent numerous notices to Respondent Marsh regarding his filing obligations before referring the matters to the Enforcement Division.

Beginning in 2004, Respondent Marsh and his controlled committees violated the Act on several occasions by failing to timely file or failing to file campaign statements, as summarized in the charts below.

COUNTS 1 and 2

(Failure to Timely File Semi-Annual Campaign Statements)

Respondents Kermit Marsh and Kermit Marsh for Council

Respondent Marsh was first elected to the City Council of the City of Westminster in 1998, and he was re-elected on November 7, 2000, and on November 2, 2004. Respondent Marsh filed a statement of organization for Kermit Marsh for Council with the Secretary of State on August 11, 1998. Respondent Marsh identified himself as the committee's treasurer and the controlling candidate.

Respondents Kermit Marsh and Kermit Marsh for Council had a duty to file semi-annual campaign statements by January 31 and July 31 of each year. For reporting periods between January 1, 2006, and December 31, 2007, Respondent Kermit Marsh for Council failed to timely file the following campaign statements:

| Reporting Period Covered | Statement Due | Statement Filed | No. of Days Late | Total Reported Contributions During Period | Total Reported Expenditures During Period |
|---------------------------------|----------------------|------------------------|-------------------------|---|--|
| 01/01/2006-06/30/2006 | 07/31/2006 | 10/25/2006 | 86 | \$5,000 | \$7,200 |
| 01/01/2007-06/30/2007 | 07/31/2007 | 02/05/2008 | 189 | \$10,000 | \$0 |

Respondent Marsh ignored eight notices from the City Clerk of the City of Westminster regarding his filing obligations before filing his campaign statements for the above reporting periods. By failing to timely file the above mentioned semi-annual campaign statements, Respondents committed three violations of Government Code Section 84200, subdivision (a).

In 2003, the Enforcement Division issued a warning letter against Respondent Kermit Marsh for failing to timely file a semi-annual campaign statement for his controlled committee, Respondent Kermit Marsh for Council, for the reporting period of July 1 through December 31, 2002.

COUNTS 3 and 4

(Failure to Timely File a Semi-Annual Campaign Statements)

Kermit Marsh and Friends of Kermit Marsh

Respondent Marsh ran an unsuccessful campaign for the Orange County Board of Supervisors, in the March 2, 2004, primary election. Respondent Marsh filed a statement of organization for Friends of Kermit Marsh with the Secretary of State on June 20, 2003. Respondent Marsh identified himself as the committee's treasurer and the controlling candidate. Respondent Friends of Kermit Marsh was terminated as a committee on June 29, 2007.

Respondents Kermit Marsh and Friends of Kermit Marsh had a duty to file semi-annual campaign statements by January 31 and July 31 of each year. For reporting periods between July 1, 2004, and December 31, 2006, Respondent Friends of Kermit Marsh failed to timely file the following campaign statements:

| Reporting Period Covered | Statement Due | Statement Filed | No. of Days Late | Total Reported Contributions During Period | Total Reported Expenditures During Period |
|---------------------------------|----------------------|------------------------|-------------------------|---|--|
| 07/01/2004-12/31/2004 | 01/31/2005 | 06/27/2007 | 877 | \$350 | \$2,060 |
| 07/01/2006-12/31/2006 | 01/31/2007 | 06/27/2007 | 147 | \$0 | \$2,627 |

Respondent Marsh ignored three written notices from the Orange County Registrar of Voters regarding his filing obligations before filing his campaign statements for the above reporting periods. By failing to timely file the above mentioned semi-annual campaign statements, Respondents committed two violations of Government Code Section 84200, subdivision (a).

COUNT 5

(Failure to File a Pre-Election Statement)

Kermit Marsh and Kermit Marsh for Republican Central Committee

On June 6, 2006, Respondent Marsh was elected to the Republican Central Committee for Orange County, and he was re-elected on June 3, 2008. Respondent Marsh filed a statement

of organization for Kermit Marsh for Republican Central Committee with the Secretary of State on May 9, 2006. Respondent Marsh identified himself as the committee's treasurer and the controlling candidate.

Respondents Kermit Marsh and Kermit Marsh for Republican Central Committee had a duty to file specific pre-election campaign statements related to the June 6, 2006, election. For reporting period of March 18 through May 20, 2006, Respondent Kermit Marsh for Republican Central Committee failed to file the following campaign statement:

| Reporting Period Covered | Statement Due | Statement Filed | Total Contributions During Period | Total Expenditures During Period |
|---------------------------------|----------------------|------------------------|--|---|
| 03/18/2006-05/20/2006 | 05/25/2006 | Not filed | Unknown | Unknown |

Respondent Marsh ignored a written notice from the Orange County Registrar of Voters regarding his filing obligations for the above reporting period, for which his campaign statement remains outstanding. By failing to file the pre-election campaign statement for the above mentioned reporting period, Respondents committed one violation of Government Code Sections 84200.5, subdivision (b), and 84200.7, subdivision (a)(2).

COUNT 6

(Failure to File a Semi-Annual Campaign Statement)

Kermit Marsh and Kermit Marsh for Republican Central Committee

On June 6, 2006, Respondent Marsh was elected to the Republican Central Committee for Orange County, and he was re-elected on June 3, 2008. Respondent Marsh filed a statement of organization for Kermit Marsh for Republican Central Committee with the Secretary of State on May 9, 2006. Respondent Marsh identified himself as the committee's treasurer and the controlling candidate.

Respondents Marsh and Kermit Marsh for Republican Central Committee had a duty to file semi-annual campaign statements by January 31 and July 31 of each year. For the reporting period of May 21 through June 30, 2006, Respondent Kermit Marsh for Republican Central Committee failed to file the following campaign statement:

| Reporting Period Covered | Statement Due | Statement Filed | Total Contributions During Period | Total Expenditures During Period |
|---------------------------------|----------------------|------------------------|--|---|
| 05/21/2006-06/30/2006 | 07/31/2006 | Not filed | Unknown | Unknown |

Respondent Marsh ignored a written notice from the Orange County Registrar of Voters regarding his filing obligations for the above reporting period, for which his campaign statement remains outstanding. By failing to file the above mentioned semi-annual campaign statement, Respondents committed one violation of Government Code Section 84200, subdivision (a).

COUNT 7

(Failure to Timely File a Semi-Annual Campaign Statement)

Kermit Marsh and Kermit Marsh for Supervisor

Respondent Marsh ran an unsuccessful campaign for the Orange County Board of Supervisors, in the February 6, 2007, special election. Respondent Marsh filed a statement of organization for Kermit Marsh for Supervisor with the Secretary of State on January 4, 2007. Respondent Marsh identified himself as the committee's treasurer and the controlling candidate.

Respondents Kermit Marsh and Kermit Marsh for Supervisor had a duty to file semi-annual campaign statements by January 31 and July 31 of each year. For the reporting period of February 17 through June 30, 2007, Respondent Kermit Marsh for Supervisor failed to timely file the following campaign statement:

| Reporting Period Covered | Statement Due | Statement Filed | No. of Days Late | Total Reported Contributions During Period | Total Reported Expenditures During Period |
|--------------------------|---------------|-----------------|------------------|--|---|
| 02/17/2007-06/30/2007 | 07/31/2007 | 07/17/2008 | 352 | \$2,000 | \$0 |

Respondent Marsh ignored a written notice from the Orange County Registrar of Voters regarding his filing obligations before filing his campaign statements for the above reporting period. By failing to timely file the above mentioned semi-annual campaign statement, Respondents violated Government Code Section 84200, subdivision (a).

COUNTS 8 and 9

(Failure to Timely File Pre-Election Statements)

Kermit Marsh and Kermit Marsh for Judge

Respondent Marsh was a qualifying candidate in the June 3, 2008 primary election, and an unsuccessful candidate in the November 4, 2008 general election for Superior Court Judge in Orange County. Respondent Marsh filed a statement of organization for Kermit Marsh for Judge with the Secretary of State on March 10, 2008. Respondent Marsh identified himself as the committee's treasurer and the controlling candidate.

Respondents Kermit Marsh and Kermit Marsh for Judge had a duty to file specific pre-election campaign statements related to the June 3, 2008, primary election. For two reporting periods from January 1 through May 17, 2008, Respondent Kermit Marsh for Judge failed to file the following campaign statements:

| Reporting Period Covered | Statement Due | Original Statement Filed | No. of Days Late | Total Contributions During Period | Total Expenditures During Period |
|--------------------------|---------------|--------------------------|------------------|-----------------------------------|----------------------------------|
| 01/01/2008-03/17/2008 | 03/24/2008 | 05/07/2008 | 44 | \$27,778 | \$23,926 |
| 03/18/2008-05/17/2008 | 05/22/2008 | 07/30/2008 | 69 | \$99,695 | \$27,412 |

Respondent Marsh ignored two written notices from the Orange County Registrar of Voters regarding his filing obligations before filing his campaign statements for the above reporting periods. By failing to timely file the pre-election campaign statements for the above mentioned reporting periods, Respondents committed two violations of Government Code Sections 84200.5, subdivision (b), and 84200.7, subdivision (a).

CONCLUSION

This matter consists of nine counts of violating the Act, which carry a maximum possible penalty of Fifty Thousand Dollars (\$50,000).

Failure to file campaign statements is a serious violation of the Act because it deprives the public of important information about a candidate's contributors and financial activities. In this matter, Respondent Marsh has been a candidate and a public official since 1998, and the City Clerk of the City of Westminster and the Orange County Registrar of Voters each sent many notifications to Respondent Marsh regarding his filing responsibilities. Additionally, in 2003, the Enforcement Division issued a warning letter against Respondent Kermit Marsh for failing to timely file a semi-annual campaign statement for his controlled committee, Respondent Kermit Marsh for Council, for the reporting period of July 1 through December 31, 2002.

Thus, Respondents' failure to file pre-election and semi-annual campaign statements indicates a clear pattern of negligence and haphazard compliance with the Act's reporting requirements, which deprived the public of important information about Respondents' contributors and financial activities over a period of six years.

Regarding Counts 1 – 9, the typical administrative penalty for failing to timely file semi-annual campaign statements and pre-election campaign statements has varied depending upon the unique circumstances of each case. Each of the campaign statements referenced above was either filed well after the applicable due date or not at all, thus depriving the public of valuable information. Accordingly, the pattern of negligence in this case justifies an administrative penalty in the amount of \$3,500 for each violation.

In sum, the facts of this case justify imposition of the agreed upon penalty of Thirty-One Thousand Five Hundred Dollars (\$31,500).

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